



## **PURCHASING SERVICE CREDIT**

### **PUBLIC EMPLOYEES' RETIREMENT SYSTEM TEACHERS' PENSION AND ANNUITY FUND POLICE AND FIREMEN'S RETIREMENT SYSTEM**

**Note:** *Only Active Members - who have contributed to the retirement system within two years from the date the purchase application is filed - may purchase additional service credit.*

Please read this booklet carefully BEFORE completing the Application to Purchase Service Credit.

This booklet contains:

- information on the types of service that can be purchased,
- a worksheet to estimate the cost of purchasing service credit,
- an Application to Purchase Service Credit, and
- an Employment Verification Form.

**STATE OF NEW JERSEY  
DEPARTMENT OF THE TREASURY  
DIVISION OF PENSIONS AND BENEFITS**

## **PURCHASING ADDITIONAL SERVICE CREDIT**

Your retirement allowance is based, in part, on the amount of service credit posted to your pension account at the time of retirement. It may be beneficial for you to purchase additional service credit if you are eligible to do so.

The following types of service credit are eligible for purchase. Please read each one and decide if the employment you wish to purchase meets the eligibility criteria. **Partial purchases are permitted on all types of eligible service.**

### **TEMPORARY/SUBSTITUTE SERVICE (Employment before enrollment)**

Members may be eligible to purchase service credit for employment rendered before enrollment or transfer into the pension fund if:

- the employment was without interruption,
- the employment immediately preceded enrollment in the pension fund.

For PFRS members, the service must have been in an eligible PFRS title.

PERS, TPAF, and PFRS members may purchase temporary service rendered immediately prior to the establishment of a former account (subject to the conditions listed above).

**Service under the Job Training Partnership Act or the Workforce Investment Act of 1998 is not eligible for purchase.**

### **LEAVE OF ABSENCE WITHOUT PAY**

Members may purchase additional service for periods of leave of absence under the following categories:

- Personal illness up to a maximum of two years. (Maternity leave is considered personal illness, however, a certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.)
- Personal reasons up to a maximum of three months (child care leave is eligible under the personal reasons category).
- Leaves of absence under a former membership.

The leave of absence must have occurred while the employee was a member of a New Jersey State-administered retirement system. An employee who is paid 10 months a year who was on an approved leave that includes the month of September may be allowed to purchase service for the months of July and August as part of the leave of absence.

### **FORMER MEMBERSHIP SERVICE**

Members may purchase service under a former membership in a pension fund administered by the State of New Jersey when the previous membership has been inactive for two years or contributions have been withdrawn.

### **OUT-OF-STATE SERVICE**

Members may purchase up to 10 years of public employment which occurred in any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S. territories and possessions). This service may only be purchased if it would have been eligible for credit in a New Jersey State-administered retirement system, if rendered in New Jersey.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from the out-of-state pension fund.

Leaves of absence from out-of-state service are not eligible for purchase.

Out-of-state service cannot be used to qualify for a disability retirement.

### **U.S. GOVERNMENT SERVICE**

Members may purchase up to 10 years of civilian service with the U.S. Government. This service may only be purchased if it would have been eligible for credit in a New Jersey State-administered retirement system, if rendered in New Jersey.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from the federal government based in whole or in part on this service.

U.S. Government service cannot be used to qualify for a disability retirement.

### **MILITARY SERVICE BEFORE ENROLLMENT**

Members may purchase up to 10 years of active military service rendered prior to enrollment.

Purchase is not permitted if the member is receiving or eligible to receive a military pension or pension from any other state or local source for such military service. If the military pension is based on active military service that has been combined with service in the reserves, the active service may be eligible for purchase.

Military service before enrollment cannot be used to qualify for a disability retirement.

If you qualify as a non-veteran, you are eligible to purchase a combined total of 10 years of service credit for out-of-state, military and U.S. Government service. If you qualify as a veteran, you may be eligible to purchase an additional 5 years of military service rendered during periods of war for a combined total of 15 years of service credit.

### **MILITARY SERVICE AFTER ENROLLMENT**

Under the requirements of the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), members may receive credit for military service rendered after October 13, 1994 if the following criteria are met:

- you were a member of a New Jersey State-administered retirement system when you entered the peacetime military service, and
- you return to employment within the time periods prescribed by federal law in a position covered by a New Jersey State-administered retirement system when you are discharged from, or otherwise end your military service.

USERRA eligible service will be used to determine eligibility for benefits. The actual calculation of retirement benefits will not use the USERRA eligible service unless the employee pays the required pension contributions for the period of military service.

### **UNCREDITED SERVICE**

Members may purchase any regular employment with a New Jersey public employer in situations where membership service was not granted and enrollment in a State-administered retirement system was mandatory based on eligibility rules at the time. The employer bears no cost for the purchase of uncredited service.

### **LOCAL RETIREMENT SYSTEM SERVICE**

Members may purchase service established under a local retirement system in New Jersey.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from that public pension fund.

### **LAYOFF (PFRS only)**

Members of the Police and Firemen's Retirement System (PFRS) who were laid off and were in good standing at the time of separation from employment (not released for misconduct or delinquency), and who are subsequently rehired to a similar (police or firefighter) service position in the PFRS, can purchase up to three years for the time period in which the member was laid off. The member must now be an actively contributing member of PFRS to make this type of purchase.

The cost of a layoff purchase is calculated using the salary for the 12 months prior to the layoff.

### **EMPLOYMENT WITH OTHER AGENCIES (PFRS only)**

If you have at least 20 years of service credit in the PFRS and you leave to accept a full-time position (with your employer's approval) in one of the agencies listed below, you may purchase a maximum of three years of such service upon your return to covered employment.

- A federal agency.
- An agency of another state or local government.
- An organization whose principal function is offering professional, advisory, research, educational, or developmental services to governments or universities concerned with public management.

## **PROCESSING TIMES**

Processing times vary depending on the type of purchase requested. Since the cost is based on your age and highest salary at the time we receive your application, delays in the processing your application will not result in an increased purchase cost.

To hear updates on CURRENT PROCESSING TIME SCHEDULES, call the Benefit Information Library at (609) 777-1931, from a touch-tone phone. After the brief introductory message, enter information selection number 229.

## **ESTIMATING THE COST TO PURCHASE**

The cost of purchasing service credit is based on your nearest age at the time of your request, the higher of your current annual base salary or highest fiscal year base salary you earned as a member of the retirement system, the amount of service to be purchased, and whether it is a shared-cost or full-cost purchase.

For an estimate of the cost of purchasing service credit, call the Automated Information System at (609) 777-1777, 24 hours a day, 7 days a week. You will need your Social Security number and you must use a touch-tone phone to hear personalized information about purchase costs. If you don't have a touch-tone phone or you wish to make the calculation yourself, a Cost Factor Chart with the purchase factors for the PERS, TPAF, and PFRS can be found on page 5.

## **INSTRUCTIONS FOR COMPLETION OF THE PURCHASE WORK SHEET**

To calculate the cost of a purchase:

1. Determine the higher of either your current annual base salary or the highest fiscal year base salary you earned as a member of the retirement system. Enter this salary in the base salary space provided.
2. Using the COST FACTOR chart, find your age. Enter the PURCHASE FACTOR associated with this age in the space provided on the worksheet. The age used is the nearest age at the time of the request. For example, if you submit your request in June and you turn 36 in August, you would use the factor on the table that corresponds with 36. Please make sure that you use the Purchase Factor which corresponds to the pension system in which you are currently enrolled (PERS/TPAF or PFRS).
3. Multiply the BASE SALARY times the PURCHASE FACTOR on the worksheet. This will result in the COST FOR ONE YEAR.
4. Multiply the COST FOR ONE YEAR by the NUMBER OF YEARS you wish to purchase. This will result in the LUMP-SUM PURCHASE COST for that service.

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. However, to calculate the cost of purchase for MILITARY, U.S. GOVERNMENT, LOCAL RETIREMENT SYSTEM (PERS & PFRS) service, LAYOFF (PFRS), and EMPLOYMENT WITH CERTAIN OTHER AGENCIES (PFRS), DOUBLE the LUMP-SUM PURCHASE COST. *(For these purchases the law stipulates that the employer shall not be liable for any costs of purchasing service; therefore, the employee must pay both the employee and employer share.)*

NOTE: If, after completing this worksheet, you decide you want to purchase this service, please complete the *Application to Purchase Service Credit*. Instructions are on page 6; the application is on page 7.

## **PAYMENT OPTIONS**

The payment options for purchasing additional service credit are:

1. One lump-sum payment for the full cost of the purchase.
2. Payroll deductions to pay for the purchase.
  - The minimum deduction (2.5 percent of salary for PERS and TPAF; 4.25 percent for PFRS) equals one-half of your normal pension contribution.
  - The maximum payment period is 10 years.
  - Payments include interest of 8.75 percent.
3. A single partial payment at the time you authorize the purchase with the remainder paid through payroll deductions. A schedule of payments will be determined by the Division of Pensions and Benefits after receipt of the single partial payment.

NOTE: Lump-sum and partial payments cannot be refunded for any reason. A member may pay off a purchase in one lump-sum payment any time after deductions have been scheduled or request a cancellation of the remaining payroll deductions and receive credit for a portion of the service. Partial payments are not permitted after the *Certification for Payroll Deductions* has been issued to the employer.

**If you are on a leave of absence for two or more years, additional interest will be assessed on any outstanding balance of your purchase. If you separate from employment for two or more years (other than on a leave of absence), the purchase will be canceled and the service credit prorated.**

**COST FACTORS**

Age at Purchase	Purchase Factor	
	PERS/TPAF*	PFRS*
20	0.031	0.075
21	0.032	0.075
22	0.032	0.075
23	0.033	0.075
24	0.033	0.075
25	0.033	0.075
26	0.034	0.075
27	0.034	0.075
28	0.035	0.075
29	0.036	0.075
30	0.036	0.075
31	0.037	0.075
32	0.037	0.075
33	0.038	0.075
34	0.039	0.076
35	0.039	0.077
36	0.040	0.079
37	0.041	0.081
38	0.042	0.083
39	0.043	0.085
40	0.044	0.088
41	0.045	0.090
42	0.046	0.093
43	0.047	0.096
44	0.048	0.099
45	0.049	0.102
46	0.050	0.106
47	0.051	0.109
48	0.052	0.113
49	0.054	0.116
50	0.055	0.120
51	0.057	0.121
52	0.058	0.121
53	0.060	0.122
54	0.061	0.123
55	0.063	0.123
56	0.065	0.124
57	0.067	0.125
58	0.069	0.126
59	0.071	0.127
60	0.073	0.128
61	0.072	0.130
62	0.071	0.131
63	0.070	0.132
64	0.068	0.134
65	0.067	0.135
66	0.066	0.135
67	0.064	0.135
68	0.063	0.135
69	0.062	0.135
70 (and up)	0.060	0.135

\*The cost factors have been rounded;  
your actual cost may vary.

**PURCHASE WORKSHEET****WORKSHEET EXAMPLE**

You wish to buy 3 years and 6 months of eligible PERS temporary service.

You are 35 years and 6 months of age at the time of your request.

Your current and highest annual base salary is \$40,000.

**PURCHASE FACTOR:**

35 years and 6 months = Age 36

Age 36 = .040 (from COST FACTOR chart)

**NUMBER OF YEARS TO BE PURCHASED:**

3 years and 6 months = 3.5

<u>\$40,000</u>	X	<u>0.040</u>	=	<u>\$1,600</u>
HIGHEST ANNUAL SALARY		PURCHASE FACTOR		COST FOR ONE YEAR
<u>\$1,600</u>	X	<u>3.5</u>	=	<u>\$5,600</u>
COST FOR ONE YEAR		NUMBER OF YEARS		LUMP-SUM PURCHASE COST

**WORKSHEET TO ESTIMATE YOUR PURCHASE COST**

NOTE: To calculate the cost of purchase for MILITARY, U.S. GOVERNMENT, LOCAL RETIREMENT SYSTEM (PERS & PFRS) service, LAYOFF (PFRS), and EMPLOYMENT WITH CERTAIN OTHER AGENCIES (PFRS), double the Lump-Sum Purchase Cost. (The law states that the employer shall not be liable for any costs of purchasing these types of service; therefore, the employee must pay both the employee and employer share in these cases.)

\$ <u>                    </u>	X	<u>                    </u>	=	\$ <u>                    </u>
HIGHEST ANNUAL SALARY		PURCHASE FACTOR		COST FOR ONE YEAR
\$ <u>                    </u>	X	<u>                    </u>	=	\$ <u>                    </u>
COST FOR ONE YEAR		NUMBER OF YEARS		LUMP-SUM PURCHASE COST
-----				
\$ <u>                    </u>	X	<u>                    </u>	=	\$ <u>                    </u>
HIGHEST ANNUAL SALARY		PURCHASE FACTOR		COST FOR ONE YEAR
\$ <u>                    </u>	X	<u>                    </u>	=	\$ <u>                    </u>
COST FOR ONE YEAR		NUMBER OF YEARS		LUMP-SUM PURCHASE COST

## **INSTRUCTIONS FOR COMPLETING THE APPLICATION TO PURCHASE SERVICE CREDIT FORM**

1. **Retirement System**- Check the retirement system in which you are now an active member.
2. **Name** - Enter your full name (first, middle initial, last name, and your maiden name, if applicable).
3. **Mailing Address** - Enter your present mailing address.
4. **Social Security Number** - Enter your Social Security number.
5. **Membership Number** - Enter your current pension membership number, if available.
6. **Daytime Phone Number** - Be sure to include the area code.
7. **Date of Birth** - Enter your date of birth (month/day/year).
8. **Current Employer** - Enter the name of your current employer.
9. **Retirement Date** - If you are planning to retire within the next six months, enter the tentative date you plan to retire.
10. **Employment Information** - complete the information requested in the chart.
  - a) **Code** - Enter the code that corresponds to the type of service you wish to purchase.
  - b) **Employer Name and Address** - Enter the name and address of the employer for which the service you wish to purchase was rendered. Address is not needed for New Jersey public employers or military. If military, please enter branch of service. **FOR MILITARY PURCHASE REQUESTS, YOU MUST ATTACH Form DD-214 - Report of Transfer or Discharge.**
  - c) **Title** - Enter the title of the position that you held with the named employer.
  - d) **Dates** - Enter the beginning and ending dates for the service you wish to purchase. For leave of absence, enter only the dates of the leave of absence.
11. **Pension Fund Verification** - If you were a member of a pension fund outside of New Jersey during any employment listed in the Employment Information Section, complete the name and address of the retirement office in the space provided. Also, please attach any documentation that indicates you are not eligible for a retirement benefit or that you have limited participation in that retirement fund. This section need not be completed for New Jersey public employers or military.
12. **Signature** - Be sure to sign and date the application.

### **EMPLOYMENT VERIFICATION**

**FOR SERVICE RENDERED IN NEW JERSEY AND MILITARY SERVICE — It is not necessary for you to submit the *Employment Verification Form* for the purchase of the following types of service: Temporary/Substitute, Leaves of Absence, Former, Uncredited, Local, Military Service, or Layoff.**

The Division of Pensions and Benefits will obtain verification from your previous employers for service rendered in New Jersey (the discharge *Form DD-214* that you attach to this application will be proof of your military service). To complete this process, follow step 1:

1. Submit the *Application to Purchase Service Credit* to the Division of Pensions and Benefits at the address indicated on the application.

**FOR SERVICE RENDERED OUT-OF-STATE — (Out-of-State and U.S. Government): You must have previous employers complete the attached *Employment Verification Form*.**

It is the member's responsibility to obtain verification from previous employers for service rendered outside the State of New Jersey and with the U.S. Government. To complete this process, follow these steps:

1. Complete the *Application to Purchase Service Credit*.
2. Make copies of the application as needed (be sure to keep one copy for your records) and immediately submit the original to the Division of Pensions and Benefits at the address shown on the application.
3. Complete the top portion of the *Employment Verification Form*: check the appropriate pension fund, enter your name, date of birth, Social Security number, and membership number (if known).
4. Submit the *Employment Verification Form* with a copy of your application to the appropriate employer(s).
5. For U.S. Government service, send the *Employment Verification Form* to: Office of Personnel Management, 1900 E Street, NW, Washington, DC 20415.

**This process must be completed for each employer listed on the *Application to Purchase Service Credit*. Please feel free to make copies of the forms, as needed.**

## NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

1. I am a member of: (check one only)

☐ Public Employees' Retirement System (PERS)

☐ Teachers' Pension and Annuity Fund (TPAF)

☐ Police and Firemen's Retirement System (PFRS)

3. Mailing Address: \_\_\_\_\_

Street Address or PO Box	City	State	Zip Code
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6. Daytime Phone #: ( ) \_\_\_\_\_ 7. Date of Birth: \_\_\_\_\_  
Area Code Month Day Year

9. If you are planning to retire within the next six months, what is your tentative retirement date? \_\_\_\_\_

CODE	PURCHASE TYPES	CODE	PURCHASE TYPES	CODE	PURCHASE TYPES
TEM	Temporary / Substitute Service	LOC	Local Retirement System Service	OPT	Optional Service
L/A	Leave of Absence	O/S	Out-of-State Service	UNS	Uncredited Service
F/M	Former Membership	FED	U.S. Government Service	MIL	Military Service <i>(Please attach Form DD-214)</i>
LO	Layoff (PFRS only)	EOA	Employment with Other Agencies (PFRS)		

CODE	EMPLOYER NAME AND ADDRESS (At the time service was rendered)	TITLE	FROM	TO

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Name of Pension Fund

Street Address	City	State	Zip Code
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\_\_\_\_\_  
Signature of Member

\_\_\_\_\_  
Date

Please return the completed *Application to Purchase Service Credit* to the above address, Attention: Purchase Section.

EMPLOYMENT VERIFICATION FORM

THIS SECTION TO BE COMPLETED BY MEMBER: Check the Pension System to which you now belong:

- ☐ Public Employees' Retirement System (PERS)    ☐ Teachers' Pension and Annuity Fund (TPAF)    ☐ Police and Firemen's Retirement System (PFRS)

Name (First, MI, Last) \_\_\_\_\_ Maiden Name (if applicable) \_\_\_\_\_

Address \_\_\_\_\_

Date of Birth (Month, Day, Year) \_\_\_\_\_ Social Security # \_\_\_\_\_ Membership # \_\_\_\_\_

THIS SECTION TO BE COMPLETED BY EMPLOYER (Items 1– 8 and 11 – 14 must be completed for all requests. For leaves of absence items 9 to 11 must be completed.):  
The person named on this form is an active member of a retirement system administered by the New Jersey Division of Pensions and Benefits and wishes to purchase additional service credit. To assist this member in establishing additional service credit, please provide the required information below. **Service under the Job Training Partnership Act or the Workforce Investment Act of 1998 must be identified as such.**

1. Name of Employer: \_\_\_\_\_

2. Payroll Title	3. Date of Hire	4. Date of Permanent Appointment	5. Employment Dates (month / day / year) (Certify each year separately) (Boards of Education use school years)	6. Base Salary Monthly <input type="checkbox"/> Annual <input type="checkbox"/>	7. Substitute Service (# of days)
			From To		
			From To		
			From To		
			From To		

8. (BOARD OF EDUCATION CERTIFYING OFFICERS ONLY): Please indicate the number of months in each regular school year: \_\_\_\_\_

9. Dates for Leaves of Absence	10. Reason for Leaves of Absence (See instructions for #10 and #11)	11. Medical documentation on file? (See instructions)
From To		<input type="checkbox"/> YES <input type="checkbox"/> NO
From To		<input type="checkbox"/> YES <input type="checkbox"/> NO
From To		<input type="checkbox"/> YES <input type="checkbox"/> NO

12. Were the positions listed in Item 2 covered by social security? ☐ YES ☐ NO    14. Is the employer a public or private entity? ☐ Public ☐ Private

13. Was this employee a member of a pension fund while in the position listed in Item 2? ☐ YES ☐ NO

If yes, is this employee receiving or entitled to receive a retirement benefit?  
☐ YES ☐ NO

Please give the name and address of the fund's central office. \_\_\_\_\_

Employer's  
Certifying Signature \_\_\_\_\_  
Title \_\_\_\_\_

Date \_\_\_\_\_  
Phone # \_\_\_\_\_

## EMPLOYMENT VERIFICATION FORM INSTRUCTIONS

### TO BE COMPLETED BY EMPLOYER:

1. **Name of Employer** - Enter the full name of the employer.
2. **Payroll Title** - Enter the payroll title held by the employee.
3. **Date of Hire** - Enter the date on which the employee was hired (MM / DD / YY).
4. **Date of Permanent Appointment** - Enter the date on which the employee received a permanent appointment (MM/DD/YY). (In non-Civil Service jurisdictions, this date is the same as the date of hire.)
5. **Employment Dates** - Enter the beginning and ending dates of employment for each position and also year-by-year employment. For Boards of Education, enter the dates by school year (MM/DD/YY). If additional space is needed, please attach an additional sheet with the information requested in items 2 - 7. (Leaves of absence should be entered only in Items 9 and 10.)
6. **Base Salary** - Enter the annual or monthly base salary earned for each year. Base salary is the contractual salary of the employee. Base salary should **NOT** include bonuses, overtime pay, stipends or longevity pay, sick or vacation time paid in lump-sum. Please check if salary is monthly or annual.
7. **Substitute Service** - Enter the exact number of days of substitute service that the named employee worked during the regular school year, if applicable.
8. **Board of Education Information** - Board of Education Certifying Officers should indicate the number of months in a regular school year for their particular district (*i.e.*, 9, 10, or 11).
9. **Dates for Leave of Absence** - Enter the beginning and ending dates of any leave of absence (MM/DD/YY).
10. **Reason for Leave of Absence** - Enter the reason for each leave of absence. Maternity leave and child-care leave are not the same kind of leave and should be listed separately (see instructions for Item 11).  
  
**Important Note:** If sections 9 and 10 are not completed properly, the form will be returned and processing will be delayed.
11. If the leave is for personal illness or maternity, indicate whether or not medical documentation is on file for the entire leave. A certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.
12. **Social Security Coverage** - Check whether the positions that were listed in Item 2 were covered under the provisions of the Federal Old-Age and Survivors Insurance System as defined in Section 218(b)5 of the Social Security Act (FICA).
13. **Pension Fund Verification** - Check whether the employee was a member of a pension fund during any employment listed in Item 2. If yes, please check whether the employee is receiving or entitled to receive a pension based on the employment listed in Item 2. Also, please provide the name and address of the retirement office.
14. **Public/Private Employer** - Check whether the employer is a public or private entity.

### — INITIAL ALL ALTERATIONS AND CORRECTIONS —

**Signature** - Be sure to sign and date the Employment Verification. Unsigned Employment Verifications will be returned. Title and phone number, including area code, are required.

**Mail the completed form to:**

**Attention: Purchase Section  
NJ Division of Pensions and Benefits  
PO Box 295  
Trenton NJ 08625-0295**

*IF YOU HAVE QUESTIONS, CONTACT THE OFFICE OF CLIENT SERVICES AT (609) 292-7524.*

**State of New Jersey  
Department of the Treasury  
Division of Pensions and Benefits  
Purchase Section  
PO Box 295  
Trenton, NJ 08625-0295**